

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2013

Docket No. ACR2013

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 12

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 12, issued on March 6, 2014. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. On page 40 of the United States Postal Service 2013 Annual Report to Congress (2013 Annual Report), the Postal Service reports that it “consolidated 143 mail processing operations from certain facilities into other facilities in 2013.” Please refer to the “Processing Facilities” table shown on page 15 of the FY 2013 Report on Form 10-K, filed with the Commission on January 31, 2014. The “Processing Facilities” table appears to reflect the consolidations and re-classifications of facilities from a similar table shown on page 17 of the FY 2012 Report on Form 10-K, filed with the Commission on November 15, 2012. The FY 2012 and FY 2013 Processing Facilities tables are shown below.

FY 2013 Report on Form 10-K

Processing Facilities (Actual Numbers)	2013	2012 ¹
Plants	197	224
Mail Processing Facilities	37	88
Network Distribution Centers	21	21
Annexes	51	68
Surface Transfer Centers	7	8
Airmail Processing Centers	-	1
Remote Encoding Centers	2	2
International Service Centers	5	5
Total Processing Facilities	320	417

1 – Amounts for 2012 have been restated to be consistent with category reclassification made in 2013.

FY 2012 Report on Form 10-K

Processing Facilities (Actual Numbers)	2012	2011
Processing & Distribution Centers	241	251
Customer Service Facilities	84	115
Network Distribution Centers	21	21
Logistics & Distribution Centers	10	10
Annexes	43	46
Surface Transfer Centers	10	10
Airmail Processing Centers	1	1
Remote Encoding Centers	2	2
International Service Centers	5	5
Total Processing Facilities	417	461

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(a) Please provide a crosswalk between the original FY 2012 facility categories in the FY 2012 Report on Form 10-K and the restated FY 2012 facility categories as shown in the FY 2013 Report on Form 10-K. Include in your response whether the processing facility categories are new, consolidated, disaggregated, eliminated or simply renamed from the same FY 2012 facility categories.

(b) Please provide the FY 2013 processing facilities in the same facility categories as the FY 2012 Report on Form 10-K at page 17.

RESPONSE:

(a) Below is a crosswalk showing the FY 2012 facilities using both classification paradigms.

FY 2012 Classifications	FY 2013 Classifications								
	Plants	Mail Processing Facility	Network Distribution Centers	Annexes	Surface Transfer Centers	Airmail Processing Centers	Remote Encoding Centers	International Service Centers	Total Processing Facilities
Processing & Distribution Centers	206	30	-	5	-	-	-	-	241
Customer Service Facilities	4	56	-	24	-	-	-	-	84
Network Distribution Centers	-	-	21	-	-	-	-	-	21
Logistic & Distribution Centers	9	-	-	1	-	-	-	-	10
Annexes	3	2	-	38	-	-	-	-	43
Surface Transfer Centers	2	-	-	-	8	-	-	-	10
Airmail Processing Centers	-	-	-	-	-	1	-	-	1
Remote Encoding Centers	-	-	-	-	-	-	2	-	2
International Service Centers	-	-	-	-	-	-	-	5	5
Total Processing Facilities	224	88	21	68	8	1	2	5	417

Below is a description of the classification categories:

- Airmail Processing Centers – Classification was retired
- Annexes – Criteria re-evaluation
- Customer Service Facilities – Classification was retired
- International Service Centers – No change

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- Logistic & Distribution Centers – Classification was retired
- Mail Processing Facilities – New classification
- Network Distribution Centers – No change
- Processing & Distribution Centers – Name change to Plant & criteria re-evaluation
- Remote Encoding Centers – No change
- Surface Transfer Centers – No change

(b) The below chart reflects the FY 2013 submission using the FY 2012 classifications.

Processing Facilities (actual numbers)	2013	2012
Processing & Distribution Centers	205	241
Customer Service Facilities	28	84
Network Distribution Centers	21	21
Logistic & Distribution Centers	10	10
Annexes	39	43
Surface Transfer Centers	9	10
Airmail Processing Centers	1	1
Remote Encoding Centers	2	2
International Service Centers	5	5
Total Processing Facilities	320	417

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2. Please file under seal the FY 2013 targets, FY 2013 results and FY 2014 targets for competitive products, including Express Mail, Priority Mail, and Parcel Select.

RESPONSE:

The requested information is provided under seal in the Preface of
USPS-FY13-NP40.

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3. The Postal Service reports on page 42 of the 2013 Annual Report that “the OSHA injury and illness (I&I) frequency rate of 5.61 per 100 employees is 2.94 percent improved over last year.” Although the measurements differ, the Occupational Safety & Health Administration (OSHA) web site shows an increase in I&I cases for the Postal Service between FY 2012 and FY 2013. The selected Federal injury and illness statistics are shown below. Please discuss the reasons for the differences between the Postal Service's and OSHA's I&I rate.

OSHA Federal Injury and Illness Statistics, FYs 2012 and 2013

U.S. Postal Service (excludes PRC)	Employees*	Total Cases**	Total Case Rate**
FY 2012			
End of Year Totals	607,814	38,206	6.29
FY 2013 4th Quarter			
Cumulative Totals	587,713	38,847	6.61
<small>*OPM provided OSHA with the most recent available data on the average number of employees from December through March for each FY. **The 'Total Case' numbers are derived from claims submitted to OWCP with "case create" dates of October 1 through September 30 (less denied cases) for each FY. The 'Total Case Rate' is the total cases divided by the employees, multiplied by 100 for a rate per 100 employees.</small>			

Source: https://www.osha.gov/dep/fap/statistics/fedprgms_stats12_final.html

https://www.osha.gov/dep/fap/statistics/fedprgms_stats13_final.html

RESPONSE:

The difference between “the OSHA injury and illness (I&I) frequency rate of 5.61 per 100 employees” reported in the FY2013 Annual Report to Congress, and the Department of Labor’s Federal Injury and Illness Statistics for Fiscal Year 2012 and 2013 shown in the table above, is due to the different formulas that were used to calculate the two measures (OSHA injury and illness (I&I) frequency rate versus the Total Case Rate).

The Postal Service calculates the I&I frequency rate based on OSHA’s 29 CFR § 1904 Recording and Reporting Occupational Injuries and Illnesses criteria. In contrast, OSHA’s Federal Injury and Illness Statistics reports for FY2012 and FY2013 identify total OWCP cases submitted less denied cases for each FY (as indicated in the

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footnote, "the 'Total Case' numbers are derived from claims submitted to OWCP with 'case create' dates of October 1 through September 30 (less denied cases) for each FY"). For purposes of OSHA injury and illness recordkeeping, however, Workers' Compensation has no effect on recordkeeping, and the two systems are independent of each other. OWCP cases created include First Aid cases (not recordable first day of injury/illness). First aid cases have an OWCP claim filed, but are not included in the total injuries/illnesses case rate (OSHA general recording criteria, 1904.7).

In addition, the Postal Service's OSHA I&I frequency rate was based on FY exposure hours (total hours worked), not the average number of employees at the Postal Service. As indicated in the Total Case Rate footnotes, "OPM provided OSHA with the most recent available data on the average number of employees from December through March for each FY," and "the 'Total Case Rate' is the total cases divided by the employees, multiplied by 100 for a rate per 100 employees."

The Postal Service's uses OSHA's formula to calculate the incident frequency rate for all recordable cases of injuries and illnesses (below).

Total number of Recordable Injuries and Illnesses x *200,000 = _____ ÷
number of hours worked (exposure hours) by all employees = Total Recordable
Case Rate/Incident Rate.

*The 200,000 figure refers to the number of hours 100 employees working 40 hours per week, 50 weeks per year would typically work; therefore, it establishes the standard base for calculating incident rates.

The Total Case Rate calculated by OHSA instead uses the following formula:

OSHA's Injury and Illness Statistics FY report divides the number of OWCP cases created – (denied cases) by the number of OPM's estimate of average number of employees from December to March.

As might be expected, the two different formulas produce different results.

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4. Please provide the following information related to the Customer Experience Measurement (CEM) estimate.

(a) The disaggregated components used to calculate the sample weight for each of the CEM survey respondents (provided in the USPS-FY13-38 'CEM Question Response Counts_FY13_Final.xlsx' file). Please include in your response, sources used (e.g., Census tract) and calculation methodology to weight the respondents survey responses.

(b) The rationale for the selection of the differential weighting factors described in footnote 4 on page 39 of the 2013 Annual Report:

i. "a differential weighting of 35% residential and 65% small/medium business is applied to calculate an overall YTD CEM Performance Score."

ii. the corporate indicator weight of 5% described in this same footnote: "For FY 2013, the CEM indicator is included in the overall corporate indicator with a weight of 5%."

(c) Any non-response analysis reports completed to date (in Docket No. ACR2010,¹ in response to question 17(f), the Postal Service indicated that the survey contractor had scheduled non-response analysis reports).

¹Responses of the United States Postal Service to Questions 1-21 of Chairman's Information Request No. 3, February 7, 2011.

RESPONSE:

(a) Please see the file ChIR.12.Q.4a.CEM Weighting.pdf, attached to this response electronically.

(b) The weighting factors identified in subpart (b)(i) and (ii) were determined by relevant Postal Service management in 2010 when the CEM was developed.

(c) Please see the file ChIR12.Q.4.CEM Non-Responder Study.pdf attached to this response electronically.

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5. In FY 2013, deliveries per work hour of 41.6 did not meet the FY 2013 target of 42.7.

(a) Please explain why the target was not met.

(b) Please describe the plans and schedules for achieving the FY 2014 target.

RESPONSE:

(a) As explained on page 42 of the Annual Report to Congress:

The primary reason that the FY2013 target was not met for this measure is that volume was significantly higher in FY2013 than we planned at the start of the year. This was good news for the Postal Service, but it hurt the achievement of the DPH target. Other things that contributed to missing our FY2013 target included limiting to voluntary our centralization of business deliveries. The result was that we centralized a much smaller percentage of deliveries than we had planned. In addition, we hired and trained many new non-career employees and this cost many workhours. The learning curve for these workers caused us to use more hours as they gained experience (although at a lower wage).

(b) DPH is merely the arithmetic result of dividing total deliveries by workhours (across a variety of functions). The DPH target is formulated anew each year based on the IFP projections, and the target is thus tailored for a given year's budget. Since the only element of DPH that the Postal Service can influence is the denominator "total workhours," the Postal Service's efforts to meet this target are no different than the broader efforts the Postal Service makes to reduce workhours to the extent possible, while also maintaining high service quality to handle the mail volume tendered by mailers.

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6. Page 40 of the 2013 Annual Report states that the Postal Service "continue[s] to provide detailed diagnostic reports that identify Post Offices with opportunities to improve the customer experience."

(a) What opportunities to improve customer experience has the Postal Service identified? Please include in your response the reasons customers identified that would explain why the FY 2013 "Customer Experience" target was not met.

(b) Please describe the Postal Service's schedule and plans for achieving the FY 2014 "Customer Experience" target.

RESPONSE:

(a) and (b) As described in the Annual Report to Congress at pg. 40, the Postal Service continues:

[t]o promote our Customer Experience Essentials Principles through weekly messaging to inform and engage employees. Additionally, we continue to provide detailed diagnostic reports that identify Post Offices with opportunities to improve the customer experience and verbatim customer comments to provide specific feedback. We provide regular web-based information sessions to ensure our field managers know how to utilize these tools. We are reviewing our current complaint handling processes to determine gaps and identify recommendations that would positively impact customers' experience when they contact the Postal Service. Our intent is to improve processes and enhance systems in ways that support timely and thorough resolution of customer concerns and inquiries. We know that creating an organizationwide culture of responsiveness is critical in retaining our current customer base and acquiring new customers; both essential in driving revenue growth.

Additionally, the Postal Service is interested in redesigning the customer satisfaction program. Since 1991, the Postal Service has been conducting a relational customer satisfaction program across both residential and business customers. Results of the program are used to develop service improvement initiatives, track performance over time, develop results indicators for compensation and meet public policy reporting requirements. The CEM as measured in FY2013 provided our

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Customers perspective of their last contact experience with the Postal Service which could exceed 90 days or even the last past experience. Today, the interest in redesigning the program is to measure customers' event based experience across multiple channels and touch points. The primary objective of this new direction is to assess customers' event-based satisfaction with the Postal Service, and to identify improvement efforts that promote loyalty and repurchase, develop competitive advantage and drive overall performance. A secondary objective is to build a strong foundation to build upon for future research, in order to integrate customers' experiences across multiple initiatives for a holistic understanding of the customer. Equipped with this event based information, the Postal Service will be able to better support decision-making and organizational initiatives.

Moreover, the Postal Service is working to transform the customer's experience by developing, monitoring, and responding to key metrics that measure both customer dissatisfaction and satisfaction to drive improvement year over year. The Postal Service is developing a Customer Insights Measurement (CIM) based on customer interactions at various touch points, as well as customer inquiries and complaints regarding postal products, services, and corporate initiatives. The Postal Service is developing systems and processes to measure satisfaction of resolution with a target of 90 percent and to reduce repeat customer complaints by 50 percent by 2017. Insights gained from data and listening to customers will enable the Postal Service to anticipate customer behavior and predict future needs.

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7. Page 42 of the 2013 Annual Report discusses the Voice of the Employee (VOE) survey and reports: "We utilize our geographically based network of leadership development and diversity personnel to communicate and implement VOE survey results and action planning strategies."

(a) Please explain why the Postal Service did not meet its VOE target. Please include in your response which survey questions were the most influential in the overall score.

(b) What action planning strategies did the Postal Service identify from the VOE survey results? Please include in your response the Postal Service's schedule and plans for achieving the FY 2014 "VOE" target.

RESPONSE:

(a) The explanation of why the Postal Service did not meet its VOE target may be as simple as an overall decline in morale among all federal employees. As the FY2013 Annual Report to Congress points out on page 42, the Postal Service's results actually compare favorably to recent declines in satisfaction and culture indices seen in other federal sector surveys. Further, as noted on page 42 of the FY2012 ACD, the issues addressed by the eight questions which factor into the overall score are: Strategic Direction, Trust, Contribution to Postal Service Growth, Communication, Diversity and Respect, Commitment, Personal Safety, and Work Effort and Quality. The scores on each of these eight questions are equally influential, as the responses for each question are weighted the same in calculating the overall score. Thus, a relatively very minor swing of 1 point on any one question (which moves the average of the eight scores by 0.125) would explain over half of the 0.2 shortfall on the overall score.

(b) As explained in the FY2013 Annual Report to Congress at pg. 42, the Postal Service has implemented robust internship and mentoring programs to introduce

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new thought leadership into the ranks of management. The Postal Service is also innovating in our training strategies to use new technologies and blended modalities for front-line training delivery. Additionally, the Postal Service utilizes our geographically based network of leadership development and diversity personnel to communicate and implement VOE survey results and action planning strategies. We have a network of area and district VOE coordinators with whom we communicate quarterly to get VOE results into the hands local leaders. We provide tools, resources and guidance to support local action planning to address issues most proximal to employees' day-to-day work environment. We also engage leaders at headquarters and work with officers one-on-one to develop actionable improvement priorities.

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8. In Docket ACR 2012,2 the Postal Service stated: "Superstorm Sandy has resulted in numerous challenges to the Postal Service so far in FY 2013. As a result of the storm, the Postal Service lost power at 20 processing plants: 485 facilities were damaged, including 50 which were flooded; more than 12% of three-digit ZIPs were impacted and operations at processing plants were impacted for up to 28 days." Please explain whether the data systems that feed into the MODS system, i.e., the TACS (time and attendance) and WebEOR (automation/mechanized machine mail volumes) or the MODS system itself affected by the damage done to the mail processing facilities enough to have impacted the FY 2013 values provided by these systems?

RESPONSE:

The Time and Attendance Collection System (TACS) data were not compromised by Hurricane Sandy. The TACS system is a web-based system with servers residing in Eagan, MN. As such, the system was unaffected by the hurricane. Users can log into the system from anywhere in the country as long as they have computer access into the USPS Intranet. Regions affected by the storm had users in offices not affected by the storm enter timekeeping data, and the data for those areas were all within normal tolerance. In addition, there were no issues with the interface between TACS and MODS.

Similarly, WebEOR and MODS were not compromised by the storm either. There might have been problems if the severity of the storm had been entirely unexpected, and the storm had massively interrupted ongoing operations. Instead, facilities had ample advance notice to brace for the storm and thus had "battened down the hatches," and stopped operations in many cases. Instances where power was lost and interrupted processing sort plans, and thus where End of Run data would have been lost, were rare. In the days following Hurricane Sandy's landfall, mail processing

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and other operations were shifted to alternative facilities, where WebEOR and MODS data would have been collected.

As we reported in the response to Chairman's Information No. 6, question 4b, these shifts to alternative facilities were so quick that service was restored at more than half of the impacted three-digit ZIPS within one day. Local MODS data (and related data from upstream data systems) will reflect the temporary closure of damaged facilities as well as the shifts of workload to alternative plants. However, since the disruption to plant operations was somewhat limited in duration and geographic scope, the Postal Service does not believe that the storm had a significant impact on systemwide MODS, TACS, and WebEOR data employed as inputs to the ACR.